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C O N F I D E N T I A L SECTION 01 OF 02 NEW DELHI 003213

SIPDIS

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SUBJECT: GOI STANDING FIRM AS BAGLIHAR PROCESS UNFOLDS

REF: NEW DELHI 1480

Classified By: PolCouns Geoff Pyatt, for Reasons 1.4 (B, D)

1. (C) Summary: The Foreign Ministry has denied to us reports that the GOI will halt work on the controversial Baglihar hydroelectric project to bring the GOP back to the negotiating table, maintaining that New Delhi has not changed its position regarding the legality of the project (reftel). The MEA has told us that the GOI has agreed to make some changes in the dam's design to alleviate Islamabad's concerns, but Pakistani diplomats in India could not confirm this concession. The World Bank is moving forward with the dispute resolution process spelled out under the Indus Water Treaty (IWT), although a New Delhi-based World Bank official has told us his preference remains a bilateral solution. On the ground, labor issues have helped to delay Baglihar's start date by more than one year. End Summary.

GOI Stance Strong as Concrete

2. (C) MEA Director (Pakistan) Monica Mohta emphatically denied to Poloff on April 27 that the GOI was suspending work on the Baglihar Dam in exchange for a promise by the GOP to withdraw its petition for a World Bank-selected neutral expert to adjudicate Pakistani technical objections to the dam's design, as reported in the "South Asia Tribune" ([http://www.satribune.com/archives/200504/P1 arun9.htm](http://www.satribune.com/archives/200504/P1%20arun9.htm)) and the "Hindustan Times." Mohta reiterated that:

-- The GOI will continue work on Baglihar, having learned a costly lesson when it agreed in 1987 to halt construction of the Wullar Barrage/Tulbul Navigation Project. Eight rounds of bilateral talks since then have produced no results for that dispute, which remains completely stalled;

-- seeking a neutral expert is "premature," because both governments have not exhausted their bilateral efforts. Both sides should return to the table and discuss their concerns in good faith;

-- Baglihar is IWT compliant, and the intervention by a neutral expert has the potential to exacerbate ill will and impede Indo-Pak rapprochement without achieving anything for Islamabad; and

-- India's Salal Dam, which is located downriver from Baglihar, would be damaged if Baglihar were used for flooding or "excessive withholding" water from Pakistan (reftel), as Islamabad reportedly fears.

Delhi Reportedly Made Concessions

3. (C) Mohta also claimed that prior to President Musharraf's visit to India, the GOI had conceded "two-and-a-half" of Islamabad's six technical objections by agreeing to dispense with low-level intakes for turbines that would have shortened the project's timeline by eight weeks, and replacing a "sluice spillway" with a "shoot spillway." She added that during the Musharraf visit, PM Manmohan Singh had reiterated the GOI position on Baglihar, including these concessions. The Pakistani High Commission in New Delhi was unable to confirm these concessions to us.

World Bank Moves Forward but Prefers Bilateral Solution

4. (C) The World Bank on April 27 reportedly asked both governments to select a neutral expert from a list of three internationally renowned authorities on water issues that was sent to the two capitals. If the GOI and GOP cannot agree on an expert, the Bank will select one to move the process forward. At the same time, a New Delhi-based World Bank official told D/PolCouns that the Bank would still prefer a bilateral solution to the impasse.

Labor Obstacles

5. (U) A Jammu-based journalist for the "Hindu" reported recently that labor agitation at the Baglihar site has already set back the completion date for the first of two construction phases from the original 2004 target to early 2006.

Comment

16. (C) We are struck by the stark contrast in the media reporting Baglihar receives from Pakistani and Indian press outlets. We see in Pakistani media daily, nearly obsessive coverage, while the issue is nearly invisible in the Indian press. This disparity is no doubt a reflection of the GOI's long-standing view (reftel and previous) that this is a technical dispute to be resolved through technical consultations, and not a diplomatic quarrel that requires intervention at the political level.

17. (C) Although New Delhi is maintaining its stance on Baglihar firmly and confidently, we will watch for any cracks in this confidence as the IWT dispute resolution process unfolds. The GOI's historical allergy to "third-party intervention" may yet drive them to accommodation; if not, the neutral expert would provide a face-saving solution to an impasse that is the currently the most visible dispute between two countries.

BLAKE